Software exports

2968. SHRI SURESH PACHOURI: Will the Minister of COMMUNICATIONS AND INFORMATION TECHNOLOGY be pleased to state:

(a) whether Government propose to double the share of exports of IT software and services by the end of the Tenth Five Year Plan;

(b) if so, the details thereof; and

(c) how Government propose to achieve this goal?

THE MINISTER OF STATE IN THE MINISTRY OF COMMUNICATIONS AND INFORMATION TECHNOLOGY (SHRI SU. THIRUNAVUKKARASAR): (a) and (b) The year-wise target for software exports from the country as per Tenth Five Year Plan document of Department of Information Technology, Ministry of Communications and Information Technology, Government of India are as below:-

Software Export

Year	In Rs. Crore	In USD Million
2002-03	54,000	11,250
2003-04	73,000	15,210
2004-05	98,000	20,420
2005-06	1,28,000	26,670
2006-07	1,60,000	33,340
2007-08	2,00,000	41,670
2008	2,40,000	50,000

1 USD = Rs. 48/-

(c) To achieve the goal, Government had set-up a National Task Force, which recommended 104 measures. Most of these recommendations have been implemented. Further, based on the feed back from the Industry and keeping in view of the global market trends, necessary changes in the Exim Policy and other Customs and Excise related issues have been carried out which are expected to result into

achieving the target. Details of the specific steps taken by the Government are given in the Statement (*See* below).

Statement

Steps taken by the Government to promote the Information Technology Sector

1. Export Promotion Capital Goods scheme (EPCG) has been rationalized and extended uniformly to all sectors without any threshold limit on payment of 5% duty.

2. Approvals for all foreign direct investment proposals relating to the Information Technology sector, with the exception of Business-to-Consumer (B2C) e-commerce are under the automatic route.

3. Electronics Hardware Technology Park (EHTP) and software Technology Park (STP) schemes are implemented under the aegis of the Department of Information Technology, Ministry of Communications and Information Technology, through a single window mechanism of the Inter-Ministerial Standing Committee (IMSC).

4. Supplies of Information Technology Agreement (ITA-1) items in the Domestic Tariff Area (DTA) by EHTP/EOU/EPZ units shall be counted towards fulfillment of minimum Net Foreign Exchange earning as a Percentage of exports (NFEP) and the minimum Export Performance (EP), provided that the items are manufactured in the unit and attract zero rate of basic customs duty. Positive NFEP is required to be achieved in 5 years instead of every year.

5. DTA access upto 50% of the FOB value of export is permitted for electronics hardware units under EOU/EPZ/EHTP schemes and the software units under EOU/EPZ/STP schemes.

6. Accelerated depreciation norms extended to computers and computer peripherals to all units and capital goods of IT hardware units under Export Oriented schemes (EOU/EPZ/EHTP). These shall stand depreciated to overall limit of 90% over a period of 3 years.

7. Special Economic Zones are being set up to enable hassle free manufacturing and trading for export purposes.

8. The Depreciation on Computers is allowed @ 60%.

9. In the Budget 2002-03, the peak rate of customs duty has been reduced from 35% to 30%. Customs duty has been reduced on stepper motors for computers/printers from 5% to 0%, floppy diskette and unrecorded magnetic tape from 15% to 10%, ink cartridges/ribbon assembly/ribbon gear assembly/ribbon gear carriage for use in printers for computers from 25% to 5%, 56 items of capital goods for manufacture of semiconductors form 5% to 0%, 24 items of capital goods for manufacture of electronic components from 25-35% to 15%, tools/moulds/dies for electronics industry from 25% to 15% and on 46 items of raw materials for manufacture of electronic components from 25-35% to 5%.

   * Customs duty on Computers and Peripherals continues to be @15% and all storage devices, integrated circuits, micro-processors, data display tubes and deflection components of colour monitors continue at 0%. The concessional rate of customs duty @5% for specified raw materials for the electronics industry (121 items) continues. Customs duty on Information Technology Agreement (ITA-1) items of WTO (IT and Telecom products) continues @15%, parts of Telecom continue @5%, parts, components and accessories of mobile handsets including cellular telephones continue at 0%.

10. The Central Excise duty structure was rationalized form multiple rates to single rate of 16% and single rate of Special Excise Duty (SED) @16%, in the Budget 2001-02, and continues.

11. Information Technology Software is exempted from Customs and Excise Duty.

12. Second hand capital goods upto 10 years are freely importable.

13. EOU/EPZ/STP/EHTP units are eligible for Income Tax benefit on export profits, upto 2010, in terms of Sections 10A and 10B of the Income Tax Act.

14. Exemption of withholding tax on interest on External Commercial Borrowings (ECBs) is available to the IT sector.

15. Definition of Computer Software, as in Section 80 HHE of the Income Tax Act covers transmission of data.

16. Benefit of Section 80 HHE is available to supporting software developers.

17. IT Enabled Services are eligible for Income Tax benefit under Sections 10A, 10B and 80HHE of the Income Tax Act.

18. DEPB rate will be same for a product whether exported as CBU or in CKD/SKD condition.

19. Threshold limit for obtaining "Export House" status reduced to Rs. 5 crores from Rs. 15 crores for Small Scale Industry, tiny sector, cottage sector, units located in North East States/Sikkim/ J and K, and exporters exporting to countries in Latin America/ CIS/Sub Sahara Africa and units having ISO 9000 (Series) status. The status holders are eligible for the following new/special facilities:

    * 100% retention of foreign exchange in Exchange Earners' Foreign Currency (EEFC) account;

    * Enhancement in normal repatriation period from 180 days to 360 days.

20. The donation of computers, imported duty free by EOU/EPZ/STP/ EHTP units to recognized non-commercial educational institutions, registered charitable hospitals, public libraries, public funded research and development establishments, etc., two years after their use by the said units is permitted.

21. The second-hand computers and computer peripherals donated by an outside donor to Government schools and recognized schools run on a non-commercial basis by any organization are exempted from customs duties.

22. Income by way of dividends or long-term capital gains of a Venture Capital Fund or Venture Capital company from investment made by way of equity shares in a Venture Capital Undertakings, which has been expanded to include the Software and IT sectors, will henceforth not be included in computing the total income.

23. To give thrust to Venture Capital Finance, SEBI has been made the single point nodal agency for registration and regulation of both domestic and overseas venture capital funds.

24. There will be no tax on distributed or undistributed income of Venture Capital Funds. The income distributed by the VCFs will only be taxed in the hands of the investors at the rates applicable to the nature of the income. VCFs will continue to be eligible for exemption even if the shares of the VC undertaking in which the VCFs have made the initial investment are subsequently listed in a recognized stock exchange in India.

25. Under policy on portfolio investment, Foreign Institutional Investors (FIIs) are permitted to invest in a company upto an aggregate of 24% of equity shares, extendable upto 40% subject to approvals. This limit was raised from 40% to 49% in the Budget 2001-02.

26. Tax holiday under provisions of Section 80-IA (Infrastructure Status) has been extended to Internet Service Providers (ISPs) and Broadband Network providers.

27. Two-way fungibility has been permitted for ADRs/GDRs. Local shares can be reconverted into ADRs/GDRs, subject to sectoral caps.

28. With a view to give a boost to the manufacturing sector, it is proposed in the Budget announcements 2002-03, to allow a deduction of a further sum of 15% of the actual cost of such machinery or plant acquired and installed after 31.3.2002 in case of new industrial undertaking or substantial expansion by an existing industrial undertaking. The proposed amendment will take effect from 1.4.2003 and will, accordingly, apply in relation to the assessment year 2003-04 and subsequent years.

29. To encourage re-location of industries to India, plant and machineries would be permitted to be imported without a licence, where the depreciated value of such relocating plants exceeds Rs. 50 crores.

30. Indian Companies wishing to invest abroad may now invest upto US$ 100 million on an annual basis through automatic route without being subject to the three year profitability condition, up from existing limit of US$ 50 million (Budget announcement 2002-03).

31. Indian companies making overseas investment in joint ventures abroad by market purchases may now do so without prior approval upto 50% of their net worth, up from existing limit of 25% (Budget announcement 2002-03).

32. To induce more investment for R&D activities, a weighted deduction of 125% on the sums paid to any university, college or an institution or a Scientific research association for the purpose of scientific, social or statistical research is available.

33. For reduction of transaction time for export/import clearances, Ministry of Civil Aviation has finalized the scheme of 'Known-Shippers' for doing away with the 24 hours cooling off period.

34. Two shifts have been introduced on week days and single shift on holidays at the Air Cargo Complexes at Mumbai, Kolkata, Chennai, Bangalore, Hyderabad, Delhi and Goa.

35. Information Technology Act, 2000 dealing, with cyber security, cyber crime and other information security related legal aspects is in place to encourage expansion of e-commerce through internet.

Impact of Iraqi war on software companies

†2969. SHRI P.K. MAHESHWARI: Will the Minister of COMMUNICATIONS AND INFORMATION TECHNOLOGY be pleased to state:

(a) what would be the impact of Iraqi war on Indian software companies;

(b) whether Government have constituted any team to conduct a study in this regard; and

(c) if so, the outcome thereof and if not, whether there is any such proposal?

THE MINISTER OF STATE IN THE MINISTRY OF COMMUNICATIONS AND INFORMATION TECHNOLOGY (SHRI SU. THIRUNAVUKKARASAR): (a) It is early to predict. However, a prolonged war may lead to deferral of capital spending in US and some other

†Original notice of the question was received in Hindi.